

**CITY OF SOAP LAKE**  
**Grant County, Washington**  
**January 1, 1994 Through December 31, 1995**

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**Schedule Of Findings**

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1. The City Of Soap Lake Should Recover Inappropriate Expenditures Made On Behalf Of Councilwoman Robertson

During our audit, it was brought to our attention that former Soap Lake City Councilwoman Ruthie Robertson was improperly added to the city's health care insurance plan. After Councilwoman Robertson was enrolled in the plan, she filed medical claims amounting to \$33,434. The insurance trust subsequently learned that Ms. Robertson was not eligible to be enrolled in the plan and sued the city for recovery of the \$33,434, plus \$3,000 in legal fees, claiming that the city had misreported Councilwoman Robertson's status as an employee of the city. The city paid \$36,434 to the insurance trust to settle this claim.

Our investigation showed Councilwoman Robertson negotiated the 1991 contract with the union on behalf of the city and she was very familiar with the contract and its terms. We found that Ms. Robertson arranged with the Washington Teamsters Welfare Trust to have herself enrolled in the health plan, starting in March 1991, by obtaining the approval of former Soap Lake Mayor Robert Nacke for the creation of a Police Department Clerk/Dispatch position. Mayor Nacke signed an addendum to the union contract which states:

It is hereby understood and agreed between the union and the City of Soap Lake the job classification of Police Department Dispatcher/Clerk shall be added to the existing agreement at the wage rate of \$8.00 per hour.

The creation of this position allowed Ms. Robertson to be added to the insurance plan without being questioned by the trust. Councilwoman Robertson did not perform the job duties of this newly created position, nor any other city position.

Soap Lake City Clerk Shirley Roberson stated she was following Councilwoman Robertson's instructions, at the direction of Mayor Nacke, when she wrote this statement: "Add Ruthie Robertson for February hours ) March coverage and March hours, April coverage" on the insurance trust enrollment form. Ms. Robertson was then added to the plan, paying the premiums herself.

Soap Lake police officers questioned how Councilwoman Robertson obtained insurance coverage through their union. Although the city and the union assured them that it was allowed, they continued to question the coverage. Subsequently, Washington Teamsters Welfare Trust auditors determined that Councilwoman Robertson was not eligible for benefits and requested the return of the benefits paid on her behalf.

The city's contract with Teamsters Union No. 760, Article 10, says that medical insurance will cover an "eligible employee who was compensated for eighty (80) hours or more during the previous month."

RCW 42.22.040, in existence during this period of time, states in part:

No officer or employee of a state agency, legislative employee, or other public officer shall use his position to secure special privileges or exemptions for himself or others.

City officials stated that they did not think anything was wrong with Councilwoman Robertson obtaining the insurance on a self-pay basis. We contacted Councilwoman Robertson, but based on her attorney's advice, she declined comment.

We recommend that the city seek recovery of \$36,434 from former Councilwoman Robertson. We further recommend that the Washington State Office of the Attorney General and the Grant County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

2. The City Of Soap Lake Should Improve Controls Over Employee Leave

Our review of the city's payroll system disclosed control and accounting weaknesses over employee leave in two out of the five employees we reviewed. Employees are required by city procedures to fill out leave slips when they take vacation leave or sick leave. Leave is then posted to the payroll system by the city clerk/treasurer. The following is a summary of the inconsistencies found during 1995:

- a. The clerk/treasurer's vacation and sick leave were not correctly posted. For example, in March the clerk filled out a leave slip for 24 hours of vacation leave, but the leave was posted incorrectly to sick leave in the payroll system. In July, her leave slips showed 35 hours of vacation leave were taken, but the leave was not posted to the payroll system. In December, her leave slips showed 18 hours of vacation leave, but 96 hours of leave were posted to the payroll system. Based on further discussion with the clerk we accepted 96 hours as her correct vacation leave for December. We took all these errors into account and determined that the clerk/treasurer should repay the city 55 hours of vacation leave and add 10.5 hours to her current sick leave balance.
- b. The city superintendent's leave was also incorrectly posted in the computer system. In February, the employee filled out a leave slip for three hours of sick leave, but the hours were not posted to the computer system. In April and November, the employee's leave slips were not combined together correctly, which resulted in posting errors to the employee's vacation and sick leave balance. We took these errors into account and determined that 11 sick leave hours should be subtracted and 8 vacation hours should be added to the superintendent's leave balances.

The lack of adequate reconciliation and posting of employee leave increases the risk that unauthorized and improper leave could occur. It also increases the risk that labor agreement rules between the city and employees are not being followed.

The city clerk does not know how these inconsistencies occurred.

We recommend that the city clerk/treasurer repay the city 55 hours of vacation leave and add 10.5 hours to her sick leave balance.

We also recommend that the city subtract 11 sick leave hours and add 8 vacation hours to the city superintendent's leave balance.

We further recommend that the city establish controls over employee leave so that leave is properly reviewed and posted to the accounting records.

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**Schedule Of Federal Findings**

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1. The City Of Soap Lake Should Repay The Department Of Trade And Community Development \$4,728, Monitor Grant Reimbursement Claims, And Pay Only From Original Invoices

Our review of the Community Development Block Grant (CFDA 14.228) contract between the City of Soap Lake and the Department of Trade and Community Development, Contract 1-93-742-014, revealed that the city has made inaccurate claims to the grantor.

Invoice 15434 dated March, 16, 1994, from the city's engineering firm was submitted twice to the Department of Trade and Community Development for reimbursement. The city then paid the engineering firm in both April and May, resulting in an overpayment of \$8,430. The city subsequently made a series of additional errors in tracking the monthly claims and payments related to this grant. The net effect of these errors is a \$4,728 overpayment to the city by the Department of Trade and Community Development.

U.S. Office of Management and Budget's (OMB) Circular A-87, *Cost Principles Applicable to Grants and Contracts*, establishes standards for documentation and allowability of costs chargeable to federal grant programs. Among these standards are:

To be allowable under Federal awards, costs must be . . . net of all applicable credits and be adequately documented.

The allowability and proper financial reporting of grant expenditures cannot be ensured when inaccurate claims are submitted for reimbursement. We consider the condition to be a material weakness.

City officials did not know about the duplicate claim until our audit. If the city had required an original invoice and accurately tracked claims and payments, they would have discovered the error in billing the grant. The city clerk felt that the invoices were difficult to understand, which caused her to incorrectly submit the invoice.

We recommend the city repay the Department of Trade and Community Development \$4,728.

We also recommend that the city establish controls to monitor grant reimbursement claims and only use original invoices to document payments to vendors.